

From: [Christine Carragee](#)
To: [*CI-StPaul_RentAppeals](#)
Cc: [Mark Wright](#); [Demetrius Sass](#); [Lynne Ferkinhoff](#); [John Lynden](#); [Timothy Prindiville](#)
Subject: written testimony for 549-1 Dayton Rent Increase
Date: Tuesday, August 15, 2023 9:48:35 AM
Attachments: [LHO Recommendation Confirmation Letter 8-13-23.pdf](#)

Statement from the Landlord and Property Owner JMC Properties LLC - Christine Carragee

Introduction

As a landlord and property owner, I find myself in a paradoxical situation. The rent control process, which was designed to prevent housing insecurity, has ironically caused it for both me and my tenants. This document aims to shed light on the complexities of the situation and the challenges faced by both landlords and tenants in the current rent control environment.

The Catch-22 Situation

The prolonged delay in my ability to raise rents has created a catch-22 situation. On one hand, I can't afford to maintain the tenant's residence, forcing me to consider selling it. On the other hand, the tenant, Ms. Ronnow, wants a say in the residence and tries to prevent the rent from being raised to attract a new owner who can occupy her unit.

The Tenant's Dilemma

Ms. Ronnow demands to stay for a full year and wants me to retroactively sign a new term lease at an 8% increase. However, she simultaneously files to contest the rent increase with the city, preferring not to pay more. This tenant would pay only \$100 more for the month of September, which is the final month of her lease if the appeal was granted.

The Impact on Property Sale

Meanwhile, Ms. Ronnow is actively preventing the sale of the house to a new owner-occupant buyer. She does this by talking to potential buyers while they tour the property and suppressing the future rental income via the appeals process. This makes the property unappealing to an investor-buyer who wouldn't need to occupy her unit.

The Financial Strain

In the time it took St. Paul to amend the policy in January 2023 to allow exemptions, my reserve fund was depleted. I had to spend over \$30,000 of my personal savings to

cover operating expenses at my four properties, primarily at 549 Dayton Avenue.

The Impact of Rent Control

Rent control in St. Paul passed in 2021, less than a year after I acquired 549 Dayton. I unknowingly underpriced the leases compared to the increases in utilities, management, property taxes, and insurance since 2021. For two-plus years, while inflation has been high and unexpected property expenses piled up, I have been unable to raise rents to cover those expenses.

The Three Options

Now, I'm faced with three options:

Allow the property to degrade and risk losing the rental certificate of occupancy while losing up to \$1,000 a month at Dayton on regular expenses.

Sell and look for an owner-occupant buyer who chooses to own it not for income, but for its personal appeal, which requires the unit to be vacant or available for them to move into.

Convert the property to alternative uses such as short-term rentals where income is not capped.

The Current Lease Situation

The current lease for 5491 Dayton has a clause setting month-to-month rent at \$2,050, which would have gone into effect on June 1st, 2023. I have continued to charge a lesser amount, \$1,850, due to the ambiguity in the city's ordinance and ongoing appeals process.

The Tenant's Appeal

Ms. Ronnow is contesting the 8% increase I applied for with the city. She emailed me and personally confronted me to demand a full-year lease renewal at the 8% increase amount, saying it was not about the money, but her desire to stay in the house.

Costs and Operating Expenses

Adherence to the ordinance list has resulted in several costs and operating expenses. These include time to prepare separate financials for submission not aligned with tax, cash flow, or profit calculations, legal fees for policy clarifications and existing lease reviews, and financing costs for borrowing for capital projects after reserves have been depleted due to insufficient rental income.

Summary of Erica Ronnow's Previous Complaints

Below is a summary of Erica Ronnow's previous complaints and why they aren't relevant to her appeal:

I extended the lease for 549-2 even though it disadvantaged my sale prospects because they have a newborn and I have a three-year-old and I felt empathy for them. This is an entirely separate issue, not relevant to her lease or the current appeal.

I made optional kitchen upgrades to 549-1 that Ms. Ronnow doesn't feel should be reflected in her rent. These were small in comparison to structural repairs and other increases and were amortized correctly based on the city calculations.

In January, the heat was temporarily uneven across radiators in the house. Ms Ronnow was compensated \$150 and provided electric heaters she didn't even open because the heat was adequately fixed.

The Impact of Rent Control on Property Value

Rent control in its current form is not only preventing me from a reasonable cashflow return monthly but also from a profitable sale price. The house was purchased at an exceptionally low interest rate to buy and hold and was not viable due to low rental income, too low to cover basic costs.

The Lease Renewal Issue

Ms. Ronnow is upset she didn't sign the lease renewal when it was offered in March at 3% but legally it's clear cut. It was not signed so her lease is in force terminating 45 days from today on September 30th, 2023.

The Burden on the Landlord

Current rent below costs is a direct subsidy I pay my tenants from my personal income and savings each month that they remain housed. Ms. Ronnow lives alone in a two-bedroom apartment with a large garage and basement storage. I live with my daughter in a cheaper one-bedroom townhouse with no yard and no garage.

My Next Steps

I'm going to reapply for the maximum amount increase through the staff approval process I should have used in the first place.

I have applied for a short term rental permit where income is unrestricted and can offset costs to bridge the gap between now and next spring when a rent increase can be applied for unit 2 or the house can sell in a more desirable owner occupant

configuration.

In conclusion, the current rent control process has created a complex situation for both landlords and tenants. It is essential to find a balance that ensures the financial viability of property owners too because the current process is unattainable for both landlords and eventually tenants.

What I am requesting from the city of St Paul

Streamline the rent increase exemption submission process and provide a template to upload and classify expense using the city's categorization and amortization schedules

Allow rent increases at or below the rate of inflation automatically because by definition raising rent by less than this amount will result in a decrease in real income

Factor in the cost of capital (mortgage interest) in the MNOI calculation since this a direct hit to cashflow – a similar current rate table could be used as for capital expense amortization

Require tenants to provide a REASON for appeals other than “I would prefer to pay less”. “I really do not understand how my appealing the 8% increase logically leads to anything other than I would prefer the 3%.”

Thank you to the city employees who reviewed my application and supported it in the initial approval and legislative hearing. It's a shame they their time and that of City Council has been also wasted during this frivolous appeal.

“There was only one catch and that was Catch-22, which specified that a concern for one's safety in the face of dangers that were real and immediate was the process of a rational mind. Orr was crazy and could be grounded. All he had to do was ask; and as soon as he did, he would no longer be crazy and would have to fly more missions. Orr would be crazy to fly more missions and sane if he didn't, but if he was sane he had to fly them. If he flew them he was crazy and didn't have to; but if he didn't want to he was sane and had to. Yossarian was moved very deeply by the absolute simplicity of this clause of Catch-22 and let out a respectful whistle.

"That's some catch, that Catch-22," he observed.

"It's the best there is," Doc Daneeka agreed."

— Joseph Heller, [Catch-22](#)

From: [Christine Carragee](#)
To: [*CI-StPaul_RentAppeals](#)
Subject: Re: Legislative Hearing Officer Decision Confirmation
Date: Monday, August 14, 2023 2:23:38 PM
Attachments: [image001.png](#)
[image001.png](#)

The last time we went through the legislative hearing Ms Ronnow misrepresented the situation with her heat and the nature of her month to month lease. It will not be possible for me to make a statement in advance in defense of the rent increase but I can't know what other facts she will misrepresent during the session ahead of time.

Since the property is currently listed for sale and a sale is in a counter offer process, the approved rent amount for October onwards has a very substantial financial impact for JMC Properties and represents less than \$100 for Ms. Ronnow as this decision could only possibly apply to her for the month of September.

I am requesting that you reschedule the appointment so that I can attend in person and respond directly to anything the tenant says in real time.
Please have the hearing officer call me directly today before 3pm.

610-955-7334

Christine

On Mon, Aug 14, 2023, 1:16 PM *CI-StPaul_RentAppeals <RentAppeals@ci.stpaul.mn.us> wrote:

Hi Christine,

Per our conversation earlier today. I was able to talk to the hearing officer and there are ways that you can also have your voice heard in front of city council. In the letter it has a number that you can sign up before noon tomorrow so you can call in when the appeal is in front of the Council. As you may already know the hearing council will recommend for the appeal to be denied. If you want talk this further the hearing officer does have time today and tomorrow to give you a call

Today: 2-5pm

Tomorrow: 3-5

If you can let me know by today what time works best for you and a good number to give you a call that would be great.

Best,

Sonia

From: *CI-StPaul_RentAppeals
Sent: Monday, August 14, 2023 10:08 AM
To: eronnow@yahoo.com
Cc: Christine@carragee.com
Subject: Legislative Hearing Officer Decision Confirmation

ATTACHED



Rent Stabilization Appeals

Legislative Hearing Office

Saint Paul City Council

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